

California

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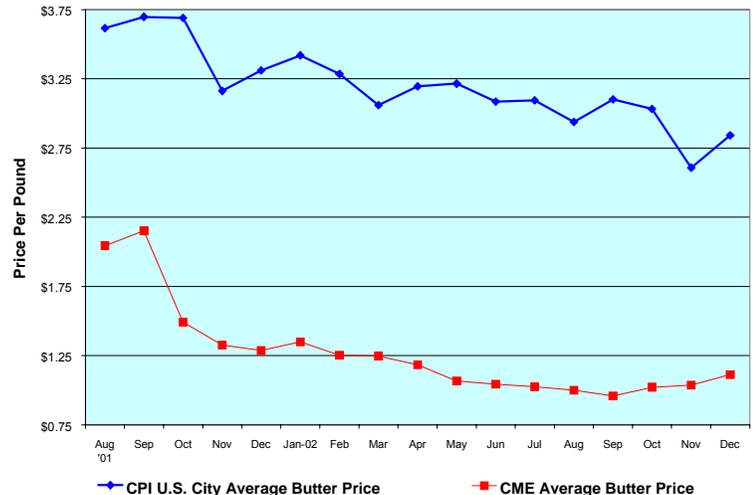
Dairy Information

Wholesale/Retail Price Comparisons
August 2001 through December 2002

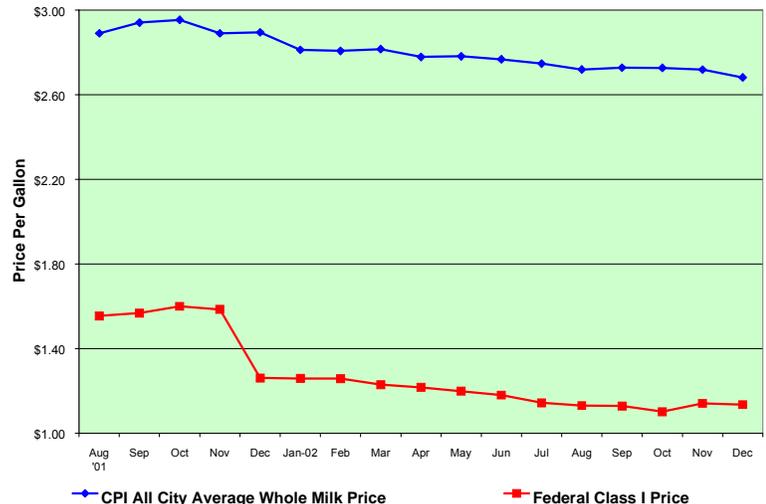
Cheddar Cheese



Grade AA Butter



Fluid Whole Milk



The average wholesale commodity prices for Cheddar cheese and Grade AA butter and federal Class I prices for milk have shown sharp declines, particularly since September 2001. As these charts indicate, the average retail prices have not always mirrored the rise and fall of the wholesale prices. The retail price for Cheddar cheese is the only commodity staying at or above pre-September 2001 levels.

Sources: U.S. Department Bureau of Labor Statistics, Consumer Price Index (CPI); Chicago Mercantile Exchange (CME); Dairy Market News



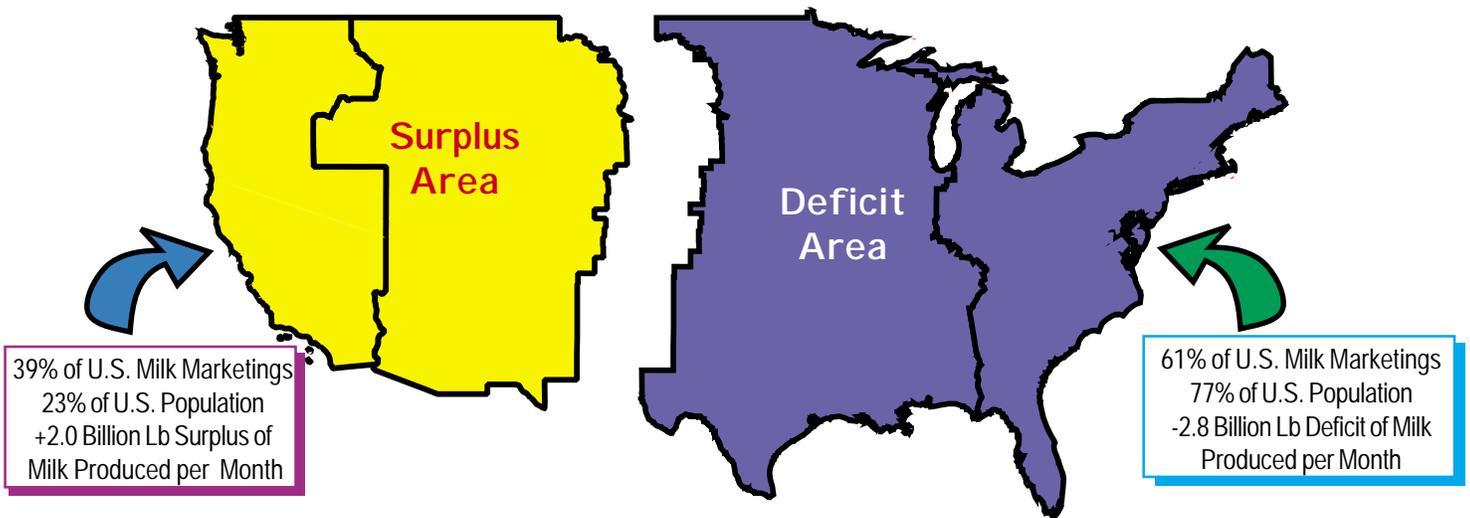
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Dairy Information

Where Is the Milk . . . Where Is It Needed???

Milk Marketings vs. Population, December 2002



In this analysis, the Kansas City Market Administrator's Office assumed that on average, every person requires approximately 50 pounds of milk per month (on a milk equivalent basis) to meet total nutritional dairy requirements, representing the "demand element" for milk. Population data from 2001 was used to compare per capita milk marketings with estimated per capita milk consumption.

Surplus Area: The area west of the Rocky Mountains represents 23% of the U.S. population:

- Per capita milk marketings were 81 pounds per month, translating into a monthly **excess** of 2.0 billion pounds of milk.

Deficit Area: The area east of the Rocky Mountains represents 77% of the U.S. population:

- Per capita milk marketings were 37 pounds per month, translating into a monthly **deficit** of 2.8 billion pounds of milk.

Sources: USDA Federal Milk Market Administrator, Kansas City April 2003 analysis;
California Department of Food and Agriculture



California

B U L L E T I N

Dairy Information

Grade A Milk Movement in California, May 2003



Special Note:
Enclosed in this issue is the Dairy Statistics & Trends 2003 Mid-Year Review



California

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Dairy Information

The Relationship of Dairy Product Commodities in Storage, and Milk Prices

Dairy product commodities held in storage affect milk prices. Consider the relationship of government and commercial holdings of dairy products and California's overbase price. The data indicate that when inventories are decreasing, the overbase price tends to be increasing. The reverse is also evident; when inventories are increasing, the overbase price tends to be decreasing.

As reflected in the two graphs:

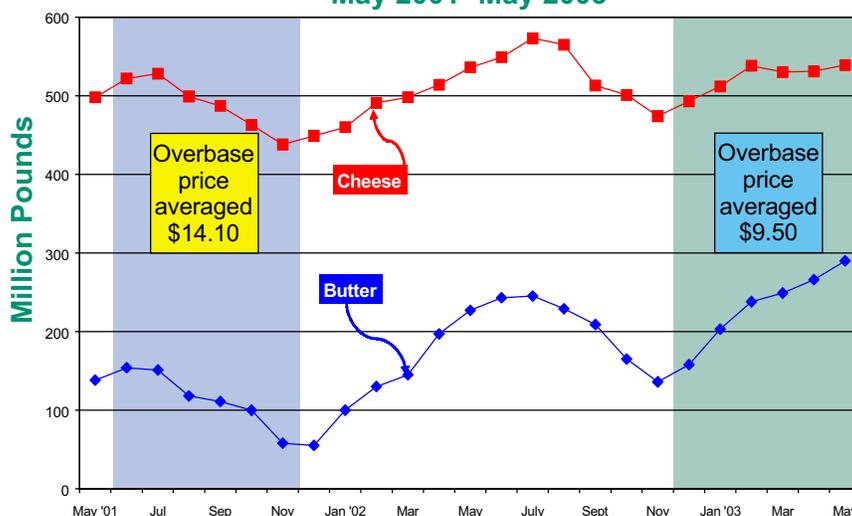
- From June to November 2001 (blue-shaded region), the volume of butter, Cheddar cheese and NFDM in storage decreased by 243 million lbs. (-15%). During this period, the overbase price averaged \$14.10 per cwt. and ranged from \$11.97 to \$15.25 per cwt.
- From December 2002 to May 2003 (green-shaded region), the volume of butter, Cheddar cheese and NFDM in storage increased 312 million lbs. (17%). During this period, the overbase price averaged \$9.50 per cwt. and ranged from \$9.23 to \$9.78 per cwt.

Compared to May 2001 levels, May 2003 storage of butter was up 110%, Cheddar cheese was up 8%, and NFDM was up 51% - while the statewide overbase price was down 33%.

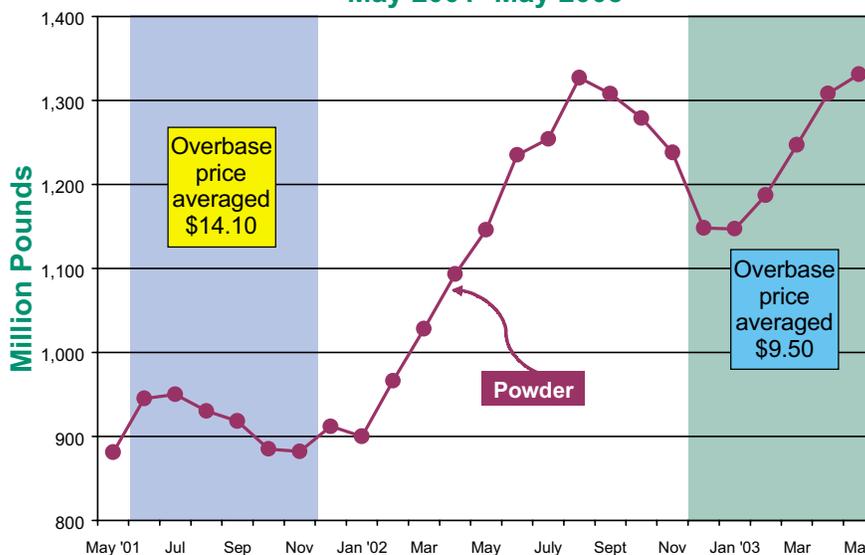
Sources: Dairy Market News, Livestock, Dairy, and Poultry Outlook, USDA Economic Research Service, and California Dairy Information Bulletin



Butter and Cheddar Cheese in Storage
May 2001- May 2003



Nonfat Dry Milk in Storage
May 2001- May 2003

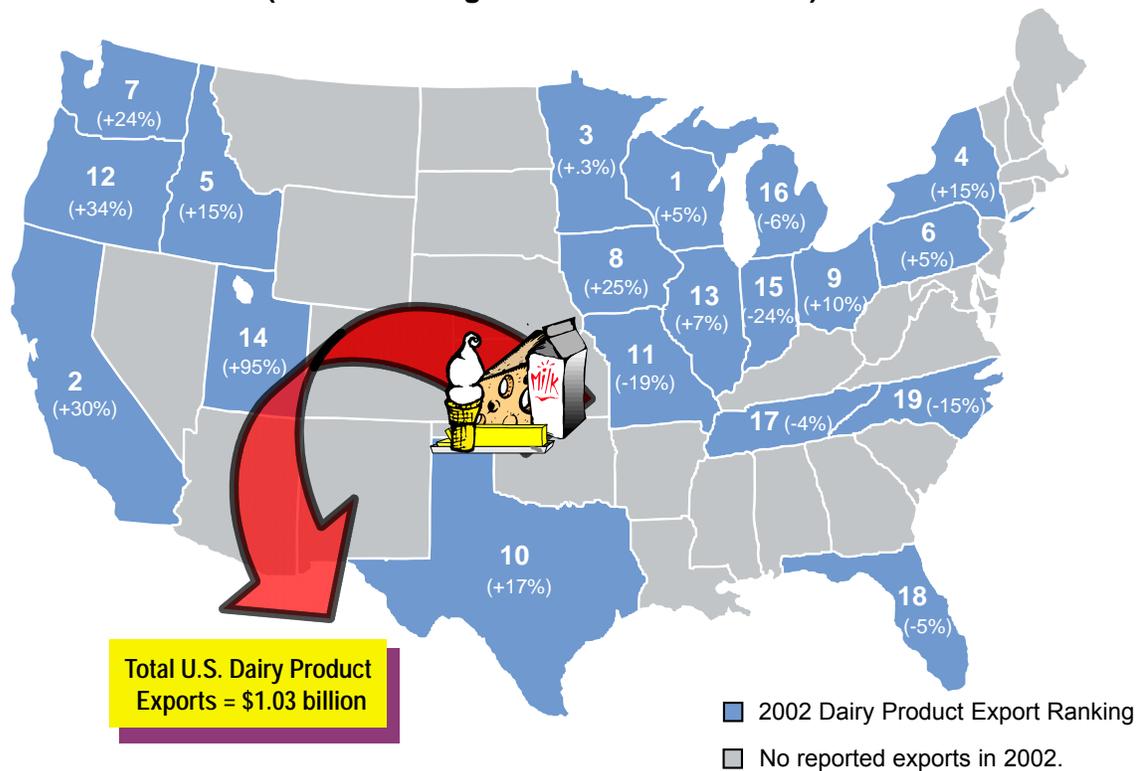


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Dairy Information

Top Two Milk Producing States Lead the Way in Dairy Product Exports
 2002 Dairy Product Export Ranking, by Estimated Value
 (Percent Change from 1998 in Brackets)



- California and Wisconsin accounted for 42.5% (\$438.5 million) of total U.S. dairy product exports.
- California's dairy product export value for 2002 was down 5% from 2001 and represented just 3% of the state's total agricultural product export values.
- New Mexico was the only state of the top ten milk producing states that reported no dairy product exports in 2002.

(See dairy product export data on Page 4)

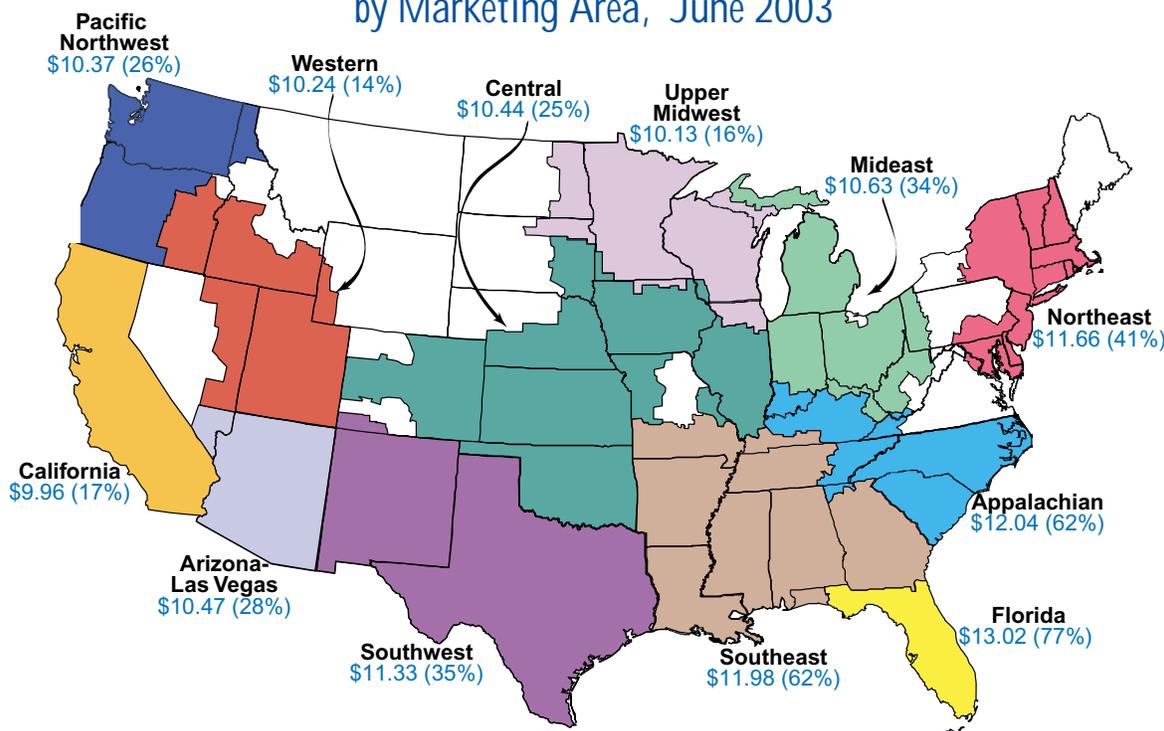


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Dairy Information

Uniform Blend Prices and Class 1 Utilization by Marketing Area, June 2003



Utilization of Producer Milk, by Class - June 2003 Federal Milk Marketing Orders and California

California's Class 1 utilization percentage is one of the lowest in comparison to the federal orders, while the California Class 4a utilization ranks among the highest federal Class IV percentages.

Sources: Agricultural Marketing Service, USDA Federal Order Statistics; CDFA Milk Pooling Branch

Federal Milk Marketing Orders	Class I	Class II	Class III	Class IV
Northeast	41%	20%	31%	8%
Appalachian	63%	16%	12%	9%
Southeast	61%	13%	22%	4%
Florida	77%	7%	8%	8%
Mideast	34%	15%	45%	6%
Upper Midwest	16%	3%	77%	4%
Central	25%	8%	58%	9%
Southwest	35%	14%	29%	22%
Arizona-Las Vegas	28%	8%	39%	25%
Western	14%	6%	71%	9%
Pacific Northwest	26%	7%	34%	33%
Average of All Federal Orders	33%	11%	46%	10%
California	Class 1	Classes 2 & 3	Class 4b	Class 4a
California	17%	10%	47%	26%



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Happy Holidays
from

